

NEWS RELEASE

JOSEPH A. SMITH, JR.
COMMISSIONER OF BANKS

RELEASE:	IMMEDIATE	DATE:	April 22, 2010
CONTACT:	HA NGUYEN	DISTRIBUTION:	STATEWIDE
PHONE:	919/733-3016		

New Mortgage Rules to Reduce Foreclosures Approved by Rules Review Commission
Rules to take effect on June 1, 2010

RALEIGH—The N.C. Office of the Commissioner of Banks (NCCOB) announced today that the mortgage rules adopted in March to reduce foreclosures have been approved by the Rules Review Commission and will take effect for licensed mortgage servicers on June 1, 2010.

NCCOB first proposed the rules in November 2009 due to its concerns that homeowners often face foreclosure when alternative solutions exist that would benefit both the homeowner and the mortgage company. The rules were adopted by the Commissioner and approved by the State Banking Commission on March 17, and the Rules Review Commission approved these rules on April 16th at its regularly scheduled meeting.

These new rules will improve opportunities for homeowners to avoid foreclosure:

- **Require a mortgage servicer to stop foreclosure efforts pending the consideration of a request by the homeowner for assistance (Rule 703).** Currently, most mortgage servicers continue to advance foreclosure proceedings, even when they are in the process of modifying the delinquent loan. This adds significant costs and confusion for homeowners trying to work-out their loan. Given the unprecedented number of homeowners requesting assistance, some servicers have struggled to qualify them for assistance in a timely fashion, which has led to some losing their home when they would have been eligible for existing foreclosure prevention programs.
- **Require a mortgage servicer to respond promptly and clearly to homeowner requests for assistance (Rule 702).** As noted above, mortgage servicers have struggled to respond promptly to borrowers with concise and needed information regarding their qualification for foreclosure prevention assistance. Homeowner frustration caused by inefficiencies in the loan modification process, such as poor communication, the need to send documents multiple times, and repeated calls to check on the status of the request, have resulted in unnecessary foreclosures. Rule 702 provides a timeline for communications to homeowners and specifies the required content of communications to increase the reliability, transparency, and efficiency of the foreclosure prevention process.

The final rules apply to non-bank mortgage servicers regulated by NCCOB under the NC SAFE Mortgage Licensing Act and do not apply to bank servicers. NCCOB hopes that bank servicers with large numbers of delinquent mortgage loans will consider adopting similar procedures to reduce the potential of unnecessary foreclosures.

State Home Foreclosure Prevention Project assists 4,000th homeowner in avoiding foreclosure

In addition to the rules, NCCOB has been working with its partners to help homeowners fight foreclosure through the State Home Foreclosure Prevention Project (SHFPP). To date, SHFPP has helped over 4,000 North Carolina homeowners avoid foreclosure. In addition, more than 10,000 other homeowners have met with non-profit housing counselors to get free advice and assistance in dealing with their finances and mortgage problems.

NCCOB estimates the impact of avoiding foreclosures on these homes has prevented almost \$350 million in neighboring property value declines and financial system losses. Utilizing 34 local non-profit counseling agencies across the state and one national non-profit phone counseling agency, the program has prevented foreclosures in all 100 counties in North Carolina. SHFPP involves a network of State agencies, HUD-certified counselors, legal service providers and non-profit organizations working together to help homeowners avoid foreclosure.

Homeowners seeking help from SHFPP can receive free assistance over the phone by calling toll-free, **1-866-234-4857** (8:00 a.m.-9:00 p.m., Mon.-Fri.; 8:00 a.m.-5:00 p.m., Sat.). In addition, homeowners may wish to meet with a local counselor directly. A full list of these counselors and additional information can be found at www.fightncforeclosure.org.

The final mortgage rules are available at <http://www.nccob.org/NCCOB/Mortgage/Proposed+Rules+and+Amendments+to+the+Mortgage+Licensing+Act.htm>.

NCCOB regulates state-chartered banks, thrifts, savings and loans, trust companies, and more than 600 mortgage lenders/servicers/brokers and 6,000 mortgage loan originators, as well as numerous consumer finance companies, check-cashers, and other financial services. NCCOB is funded by industry fees and assessments and not taxpayer dollars.

#